



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
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December 14, 2012

Honorable Dennis Phillips, Mayor  
City of Kingsport  
225 West Center Street  
Kingsport, TN 37660

Dear Mayor Phillips:

This letter acknowledges receipt on December 12, 2012, of a request to review a plan of refunding (the "Plan") for the issuance of an amount not to exceed \$43,250,000 General Obligation Refunding Bonds, Series 2013 (the "2013 Refunding Bonds"). The 2013 Refunding Bonds will refund by competitive sale, an estimated:

- \$3,800,000 General Obligation Refunding Bonds, Series 2004 (the "2004 GO Bonds");
- \$4,400,000 Water and Sewer Revenue and Tax Refunding Bonds, Series 2004 (the "2004 W&S Bonds");
- \$1,295,000 General Obligation Bonds, Series 2005 (the "2005 GO Bonds");
- \$1,990,000 Water and Sewer Revenue and Tax Refunding Bonds, Series 2005 (the "2005 W&S Bonds");
- \$9,205,000 General Obligation School and Public Improvement Bonds, Series 2006 (the "2006 GO Bonds");
- \$1,080,000 Water and Sewer Revenue and Tax Bonds, Series 2006 (the "2006 W&S Bonds");
- \$735,426 Drinking Water State Revolving Fund Loan Agreement, Loan DWF 98-009 (the "98 DWF Loan");
- \$949,364 Wastewater State Revolving Fund Loan Agreement, Loan SRF 98-119 (the "98 SRF Loan");
- \$1,177,062 Wastewater State Revolving Fund Loan Agreement, Loan SRF 99-123 (the "99 SRF Loan");
- \$1,264,510 Wastewater State Revolving Fund Loan Agreement, Loan CWSRF 2007-200 (the "07 CWSRF Loan");
- \$17,761,817 Wastewater State Revolving Fund Loan Agreement, Loan SRF 07-197 (the "07 SRF Loan");
- and
- \$1,247,560 Wastewater State Revolving Fund Loan Agreement, Loan CGA 09-240 (the "09 CGA Loan").

The 2005 GO Bonds, 2005 W&S Bonds, 2006 GO Bonds, and 2006 W&S Bonds will be advance refunded, the 2004 GO Bonds, 2004 W&S Bonds, 2006 GO Bonds, 2006 W&S Bonds, 98 DWF Loan, 98 SRF Loan, 99 SRF Loan, 07 CWSRF Loan, 07 SRF Loan, and 09 CGA Loan will be current refunded. These are collectively the "Refunded Bonds."

Pursuant to the provisions of Title 9, Chapter 21, Tennessee Code Annotated, a plan must be submitted to our Office for review prior to the adoption of a resolution by the governing body of a local government authorizing

the issuance of refunding Notes secured, in whole or in part, by the full faith and credit and unlimited taxing power of the City. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

#### **CITY'S PROPOSED REFUNDING OBJECTIVE**

The 2013 Refunding Bonds are being issued for debt service savings. The Plan estimates net present value savings of \$2,276,202 or 5.08% of the refunded principal.

#### **COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY**

The City provided a copy of its debt management policy. A specific description of how the debt complies with the City's debt policy should be included on the form CT-0253 to be submitted within 45 days of issuance of the debt approved in this letter. If the most current version is on file with this office a copy does not have to be submitted.

#### **REPORT OF THE REVIEW OF A PLAN OF REFUNDING**

Distribute this letter and the enclosed report of the review of the Plan to the members of the governing body as required by Tennessee Code Annotated Section 9-21-903.

This letter, report, and the Plan are to be posted on the City's website. The same report is to be provided to each member of the City Commission and reviewed at the Public Meeting at which the proposed refunding bond resolution will be presented.

The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity.

This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.

*This report is effective for a period of one hundred twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office, at that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.*

*We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than*

*fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

#### **PUBLIC DEBT ENTITY REPORT**

Enclosed is a revised Form CT-0253 - Report on Debt Obligation. The Form CT-0253 must be filed with the governing body of the public entity issuing the debt not later than forty-five (45) days following the issuance or execution of a debt obligation by or on behalf of any public entity, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance either by mail to the address on this letterhead or by email to the address below. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation.

[StateandLocalFinance.PublicDebtForm@cot.tn.gov](mailto:StateandLocalFinance.PublicDebtForm@cot.tn.gov)

Sincerely,



Mary-Margaret Collier  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Mr. James Demming, CFO, City of Kingsport  
Mr. Rick Dulaney, RAYMOND JAMES | Morgan Keegan  
Mr. Steven McCoy, RAYMOND JAMES | Morgan Keegan  
Ms. Cindy Barnett, Esq., Adams and Reece

Enclosures (2): Report of the Director of the Office of State & Local Finance, State Form CT-0253, Report on Debt Obligation.